

## 2010 LD 1 Progress Report: Executive Summary

In January 2005, Governor John E. Baldacci signed into law LD 1: An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels (Public Law 2005, Chapter 2). The goal of LD 1 is to lower Maine's state and local tax burden ranking to the middle one-third of states by 2015. The State Planning Office (SPO) annually reports on the progress made by the state, counties, municipalities, and school administrative units toward reaching the tax burden reduction goal.

In the first LD 1 report, released in January 2006, the University of Maine's Dr. Todd Gabe stated, "The ultimate success of LD 1 at lowering the tax burden in Maine will be determined, at least in part, by its ability to reduce the growth of state and local government." Below, for each level of government, two simple questions are addressed to assess progress toward the LD 1's tax burden reduction goals: "Is aggregate spending within the LD 1 limit?" and "Is aggregate spending growing at a slower rate than in pre-LD 1 years?" Within the report, each level of government's spending and/or tax revenue is investigated in greater depth.

### State

<b>General Fund Appropriations within LD 1 Limit?</b>	<b>Yes</b>	<input checked="" type="checkbox"/>	<b>No</b>	<input type="checkbox"/>
<b>Appropriations Growth Compared to Pre-LD 1 Years</b>	<b>Lower</b>	<input checked="" type="checkbox"/>	<b>Higher</b>	<input type="checkbox"/>

For the sixth year in a row, growth of the state's General Fund appropriations has remained below the limit set by LD 1. General Fund appropriations in FY 2011 were \$672 million (19.9%) below the limit. Due to severe revenue shortfalls in the context of a national recession beginning in 2007, total state appropriations declined for the third year in a row, falling 5.1% from FY 2010 to FY 2011. In contrast, the average annual growth for the ten years prior to LD 1 was 5.4%.

### Municipalities

<b>Combined Property Tax Levy within LD 1 Limit?</b>	<b>Yes</b>	<input checked="" type="checkbox"/>	<b>No</b>	<input type="checkbox"/>
<b>Combined Tax Levy Growth Compared to Pre-LD 1 Years</b>	<b>Lower</b>	<input checked="" type="checkbox"/>	<b>Higher</b>	<input type="checkbox"/>

For the sixth year in a row, survey-based estimates show the aggregate municipal property tax levy was below the aggregate LD 1 limit. Based on a sample of 283 municipalities, 66% of municipalities stayed within their municipal property tax levy limit. Based on preliminary data from Maine Revenue Services (MRS), aggregate municipal property tax commitments grew by a rate of 2.5% in 2010, which is well below rates in years before

LD 1. Small municipalities showed higher property tax commitment growth (3.4%) than large municipalities (2.4%) and were more likely to exceed their LD 1 limit (44% vs. 27%). Overall, property tax commitment growth in 2010 remained below pre-LD 1 years. In the three years prior to LD 1, annual commitment growth ranged from 5.2% to 6.9%.

## School Administrative Units

<b>Combined Expenditures within LD 1 Limit?</b>	<b>Yes</b>	<input type="checkbox"/>	<b>No</b>	<input checked="" type="checkbox"/>
<b>Combined Expenditure Growth Compared to Pre-LD 1 Years</b>	<b>Lower</b>	<input checked="" type="checkbox"/>	<b>Higher</b>	<input type="checkbox"/>

As in previous years, K-12 schools exceeded appropriations targets set by LD 1, which uses the Essential Programs and Services (EPS) model of school funding to set targets for the amount of property taxes raised for local education. The LD 1 limit for schools is 100% of EPS, but some school units might be exceeding 100% of EPS by small margins in order to provide programs and some services that are not recognized as essential in the EPS benchmark cost calculation: extracurricular activities including sports and transportation to events, Advanced Placement classes offered at some high schools, unique onetime costs incurred for facilities improvements, and even in some cases local tax dollar support for school lunch programs.

The percentage of local schools exceeding their limit (80%) decreased slightly from last year but the amount by which they exceeded EPS stayed about the same. School districts not conforming to the recent school consolidation law (generally smaller communities) exceeded EPS by a greater margin (11.3%) than conforming school districts (6.7%). Non-federal K-12 appropriations declined slightly in FY 2011, but American Recovery and Reinvestment Act (ARRA) funds administered by the state kept total appropriations growth above zero (0.7%).

## Counties

<b>Combined Assessments within LD 1 Limit?</b>	<b>Yes</b>	<input checked="" type="checkbox"/>	<b>No</b>	<input type="checkbox"/>
<b>Combined Assessment Growth Compared to Pre-LD 1 Years</b>	<b>Lower</b>	<input checked="" type="checkbox"/>	<b>Higher</b>	<input type="checkbox"/>

Counties stayed within their combined LD 1 limit in 2010. County assessments were \$1.3 million (1%) below the limit. Overall, assessments increased 2.6% from 2009, which is well below the 5.4% growth rate seen in 2005 (pre-LD 1) and a sharp decline from the 7.5% growth seen in 2008. The new law unifying state and county correctional facilities and capping county jail assessments at 2008 levels coincides with this reduction in growth. Individually, nine counties stayed within their limits and seven surpassed them.